

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7009

BILL NUMBER: SB 423

DATE PREPARED: Jan 5, 2002

BILL AMENDED:

SUBJECT: Franchise Act Material Changes and Advertisements.

FISCAL ANALYST: Chuck Mayfield

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill repeals the requirement that a franchisor promptly notify the Securities Commissioner in writing of a material change in the information contained in a registration by filing an application to amend the registration. It repeals the prohibition against publishing an advertisement concerning a franchise if the Securities Commissioner has given written notice of the Commissioner's finding that the advertisement contains a false or misleading statement. The bill makes a conforming amendment.

Effective Date: July 1, 2002.

Explanation of State Expenditures: For CY 2000, the Secretary of State received about 660 registrations for the sale of franchises. The number of posteffective amendments to franchise registrations was not known. The Secretary of State's office believes about 25% of the registrations have one or more amendments during a year. If it is assumed that about 25% of the approximately 660 registrations average two amendments per year, then there would be about 330 amendments filed per year. The reduction in the filings would probably not reduce the agency's expenditures.

The repeal of the prohibition against publishing an advertisement concerning a franchise if the Securities Commissioner has given written notice of the Commissioner's finding that the advertisement contains a false or misleading statement would have no fiscal impact if the Commission continued to review the publications.

Explanation of State Revenues: The bill would reduce General Fund revenue. Currently the Secretary of State charges a \$50 fee for the filing of an amendment to a franchise registration. If it is assumed that about 25% of the approximately 660 registrations averaged two amendments per year, then there would be about 330 amendments filed per year and the reduction in General Fund would be about \$16,500.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Secretary of State.

Local Agencies Affected:

Information Sources: Linda Hayden, Securities Commission of the Secretary of State, (317) 232-6688.